

CERTIFIED TRANSLATION

(H.J.Res. 3257)
(Conference)

JOINT RESOLUTION NO. 1591 DECEMBER 8, 2003

To authorize the Department of the Treasury to take out loans up to the amount of eighty million five hundred and eighty thousand two hundred and nineteen (80,580,219) dollars, to finance the initiatives carried out by the Department of Health and other related agencies which must implement electronic information processing systems and ensure compliance with the provisions of the “*Health Insurance Portability and Accountability Act*” (HIPAA), finance the expansion and implementation of the Smart Health Card for one million seven hundred thousand beneficiaries of the Health Insurance Plan of the Commonwealth of Puerto Rico in accordance with the provisions of the HIPAA; establish the payment plan to comply with said obligation; allow accepting donations; provide for the necessary contracting of implementation projects; and authorize matching funds.

STATEMENT OF PURPOSE

The “*Health Insurance Portability and Accountability Act*” (HIPAA), Public Law 104-191, is a federal law that was approved by the United States Congress on August 21, 1996 for the purpose of ensuring the continuity of insurance coverage and simplifying the administrative procedures in the operation of health insurances. Long-term goals include economizing and reducing the expense in respect of health services, as well as improving the health industry operations to prevent, among other things, fraud and abuse in the billing of services, which results in millions in losses for private and government health plans, such as *Medicare* and *Medicaid*.

As a result of said congressional mandate, it was requested that the Federal Department of Health establish privacy and security rules and regulations regarding the health information handled by the plans, and adopt rules for regulating the processing of electronic transactions carried out by health providers, medical plans, insurance companies and clearing houses. The entities covered by the law are all public or private health providers, medical plans, health maintenance organizations (HMOs), insurance companies, and clearing houses which process electronic administrative transactions for covered entities regarding health information about medical services, among others.

To achieve the proposed purposes, the HIPAA requires that all covered entities adopt and comply with the regulations approved by the Federal Department of Health in three main areas: (a) Privacy, (b) Security and Codes, (c) Codes, Transactions and Identifiers. All covered entities must comply with these standards, which require considerable modifications, changes, and reengineering in

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all operations and electronic handling of health information by several agencies of the Commonwealth of Puerto Rico.

Compliance rules include:

Rules regarding Privacy: These rules require that covered entities implement new administrative practices, policies and procedures to protect the use and disclosure of the health information of individuals and guarantee the new rights which the HIPAA establishes in favor of patients. The implementation date for most covered entities, including the corresponding government divisions of the Commonwealth of Puerto Rico, is April 14, 2003.

Rules regarding Codes, Transactions and Identifiers: This area requires the standardization of (9) administrative and financial electronic transactions that are carried out in the operations of health services in defined formats and in accordance with established codes. These rules apply to all insurance plans, providers, health organizations and insurance companies. The implementation date for most covered entities, including the corresponding government divisions of the Commonwealth of Puerto Rico, is October 16, 2003.

Rules regarding Security: It refers to the administrative, physical and technological standards established to ensure the integrity, authentication, confidentiality and availability of information in the handling of health information protected by the HIPAA and kept and transmitted electronically by covered entities. The implementation date for most covered entities, including the corresponding government divisions of the Commonwealth of Puerto Rico, is March 20, 2005.

The HIPAA applies to all agencies of the Commonwealth which keep, receive, process, store or disclose health information and carry out the defined electronic administrative transactions as part of their duties. The Commonwealth decided to appoint two work teams to analyze the impact and scope of the law on agency operations and determine the steps to be taken in order to comply with the law. One analysis was done by the Department of Health and the other by the Office of Management and Budget, in order to cover the entire Executive Branch of the Government. Said studies concluded that the agencies which must immediately comply with the legislation are the Department of Health, including all of its programs, the Substance Abuse and Mental Health Services Administration, the Emergency Medical Corps, and the Health Insurance Administration (“ASES,” acronym in Spanish). The need to assign an entity that would ensure compliance with the Law was also identified. In spite of the efforts made and already started, it is necessary to implement technologies and infrastructure for handling information, and establish policies and procedures for compliance with rules regarding privacy and security. In the Department of Health, all of its programs are included, including the Diagnostic and Medical Treatment Centers, Medical Aid Programs (Medicaid), Information Systems Office, Registry of Vital Statistics, Clinical Laboratory Services, among others.

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Furthermore, the ASES is at the phase of designing the Smart Health Card, a card to be carried by Reform beneficiaries containing a microprocessor which will store their personal medical health information, such as, (1) demographic data, (2) patient's unique index, (3) patient's medical record, (4) who are the patient's medical providers, (5) history of encounters, (6) clinical results, (7) information regarding appointments and (8) information regarding the Health Insurance Plan. This information, which will be provided via electronic media, will also be updated online by integrated health systems. The HIPAA precisely protects that type of personal medical information, so it is necessary to harmonize the Smart Card project with the requirements of the HIPAA.

The Department of Health and the ASES began a pilot project for beneficiaries of CDTs in Isabela and Vieques, as well as the Ramón Ruiz Arnau University Hospital (HURRA, acronym in Spanish), to validate the integration of data and prove that a clinical information system can share data with the Card. The project was implemented from July to December of 2002 and it has been a success. Said pilot project has validated the integration of data and corroborated the positive impact that the Smart Card has had on the services received by the beneficiaries of the pilot plan, including, but not limited to, (1) complete and updated patient information at the time of receiving medical services, resulting in an improvement in the quality of offered services, (2) a reduction in fraud resulting from misuse of card since it has a photo of the beneficiary of the Smart Card and the system validates by way of biometric methods the identity of the Smart Card owner, and (3) practical and informed treatment that focuses on the needs of the beneficiary. As a result of this pilot project, a decision was made to expand card coverage to all of the beneficiaries of the Puerto Rico Health Insurance Plan. The expansion plan consists of issuing 1.7 million cards starting on September of 2003. Acquiring 2 million cards and all of the necessary infrastructure and equipment has been contemplated in order to establish the mechanized system in all Medical Aid offices and centers for massive issuance of Smart Cards.

THE PUERTO RICO LEGISLATIVE ASSEMBLY HEREBY DECREES:

Section 1.-The Department of the Treasury is authorized to take out loans up to the amount of eighty million five hundred and eighty thousand two hundred and nineteen (80,580,219) dollars, in order to finance the initiatives carried out by the Department of Health, the Health Insurance Administration (ASES), the Emergency Medical Corps, the Substance Abuse and Mental Health Services Administration (ASSMCA, acronym in Spanish), the Administration for Children and Families, and other agencies in order to comply with the provisions of the "Health Insurance Portability and Accountability Act" (HIPAA) and other projects for electronic processing of information as provided below:

1. One million six hundred and thirty-one thousand three hundred and ninety-four (1,631,394) dollars are assigned to the Codes, Transactions and Identifiers area. Said amount will be divided into one million ninety-four thousand five hundred (1,094,500) dollars for the Department of Health and other attached agencies, three hundred and eight thousand (308,000) dollars for the Health Insurance Administration, and one hundred and ninety-eight thousand (198,000) dollars for

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the Emergency Medical Corps, and thirty-eight thousand eight hundred and ninety-four (30,894) dollars for the Administration for Children and Families of the Department of Children and Family Services.

2. One million seven hundred and eighty-two thousand five hundred (1,782,500) dollars are assigned to the Security area. Said amount will be divided into one million two hundred and twenty-seven thousand (1,227,000) dollars for the Department of Health, three hundred and forty-six thousand five hundred (346,500) dollars for the Health Insurance Administration (ASES) and two hundred and nine thousand (209,000) dollars for the Emergency Medical Corps.
3. Four million three hundred and eighty-four thousand eight hundred (4,384,800) dollars are assigned to the Privacy area. From that amount, three million four hundred and sixteen thousand eight hundred (3,416,800) dollars are for the Department of Health and other attached agencies, six hundred and fifty-six thousand seven hundred (656,700) dollars for the Health Insurance Administration, and three hundred and eleven thousand three hundred (311,300) dollars are for the Emergency Medical Corps.
4. Eight million five hundred and nine thousand eight hundred and seventy-five (8,509,875) dollars are assigned for acquisition of computer programs and equipment which provide the required technological solutions. From that amount, six million (6,000,000) dollars are for the Department of Health and other attached agencies and one million five hundred thousand (1,500,000) dollars are for the Emergency Medical Corps. In addition, to take care of the need for electronic handling of information regarding child abuse, one million nine thousand eight hundred and seventy-five (1,009,875) dollars are assigned to the Administration for Children and Families of the Department of Children and Family Services.
5. Six million (6,000,000) dollars are assigned to the Substance Abuse and Mental Health Services Administration (ASSMCA) for mechanization of the information processing and billing systems in compliance with the HIPAA and any other applicable regulations. From that amount, four million seven hundred thousand (4,700,000) dollars are for acquisition of equipment and permanent improvements, and one million three hundred thousand (1,300,000) dollars are for professional, consulting and administrative expenses.
6. Fifty-seven million six hundred and twenty-one thousand six hundred and fifty (57,621,650) dollars are assigned to the Department of Health, of which twenty-five million (25,000,000) dollars will be for the implementation of the Smart Health Card, eighteen million (18,000,000) dollars for the implementation of the Hospital Information System (HIS) at all Diagnostic and Medical Treatment Centers owned by the Department, and fourteen million six hundred and twenty-one thousand six hundred and fifty (14,621,650) dollars for establishment of the

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Data Center. It is understood that the equipment and Smart Card must be acquired through a new auction, but not the Hospital Information System (HIS).

Section 2.-The Secretary will transfer to ASES the money that the same may deem necessary to implement the Card System.

The development of the program will be based on the experience acquired through the pilot plan developed by the department in the municipalities of Isabela, Bayamón and Vieques. The program expansion will start in the Mayagüez Region and the original disbursements will be done for this purpose, including the systems, its development will facilitate the development of the program on the entire island. The Department of Health will have exclusive authority to, through its Secretary, expand the Card Program to other regions or municipalities after developing the Mayagüez Region.

Section 3.-For payment of the authorized obligation the assignments stemming from the General Fund will include the amount of three million five hundred and four thousand seven hundred and twenty-five (3,504,725) dollars, plus accrued interest, for eight (8) years, starting on fiscal year 2005-2006 up to fiscal year 2012-2013, and from the Public Improvements Fund, the amount of three million nine hundred and eighty-one thousand two hundred and fifty (3,981,250) dollars annually, plus accrued interest, for eight (8) years, starting on fiscal year 2004-2005 up to fiscal year 2011-2012.

Section 4.-The Secretary of the Treasury will disburse the funds provided in Section 1 of this Joint Resolution, in accordance with the established work plans and progress of the work. The Secretary of the Treasury may reimburse the different agencies the amounts that they are able to identify with this project.

Section 5.-It is authorized to accept, on behalf of the Commonwealth of Puerto Rico, all money contributions or donations, from citizens and private companies, which are necessary and appropriate for the purposes stated in this Joint Resolution.

Section 6.-It is authorized to enter into contracts with municipal governments, private contractors, and any other department, agency or corporation of the Commonwealth of Puerto Rico, in order to achieve the purposes of this Joint Resolution.

Section 7.-It is authorized to match the assigned funds with individual, state, municipal or federal contributions.

Section 8.-This Joint Resolution will come into effect immediately after it is approved.



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